

**The US and KY Farm Economies: Changing,
Exciting, Scary, Volatile, and Uncertain**
Will Snell, University of KY



2008 U.S. vs Ag Economy

U.S. General Economy

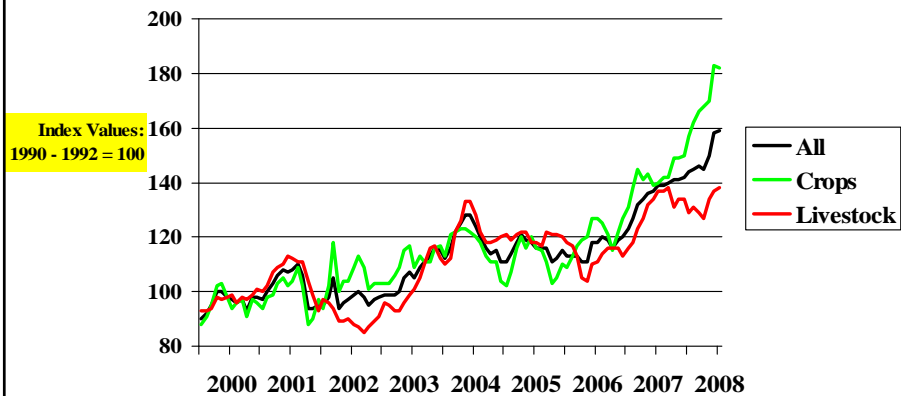
- Energy/Food Prices Hikes
- Credit Crisis
- Slumping Housing Market
- Declining Stock Market
- Loss of Consumer Confidence
- Recession

U.S. Ag Economy

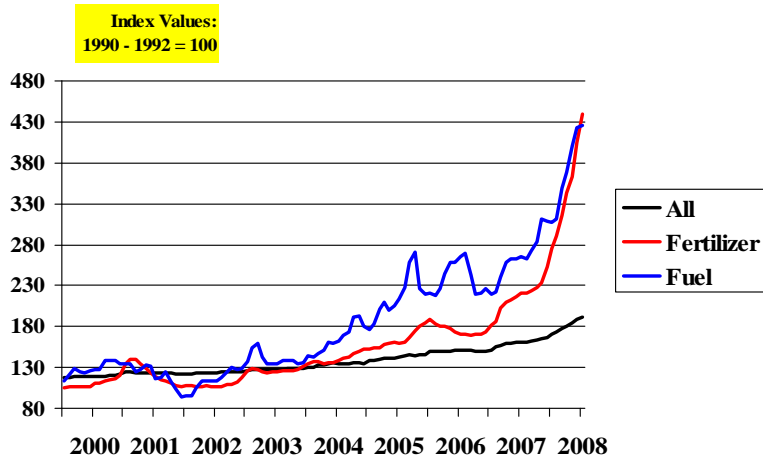
- High Commodity Prices
- Record Cash Receipts
- Record Net Farm Income
- Record Exports
- Strong Balance Sheet

Prices Received by U.S. Farmers

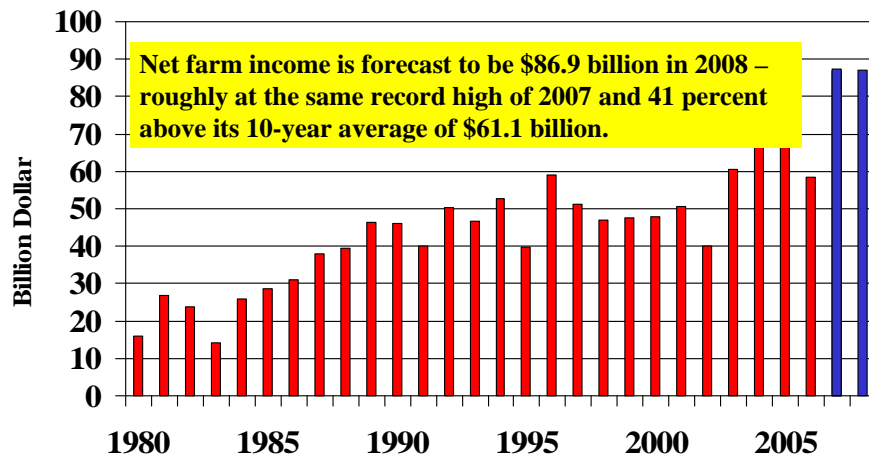
Tight supplies, strong export demand and emerging biofuels industry lead to record prices in the summer of 2008.



Prices Paid by U.S. Farmers



U.S. Net Farm Income

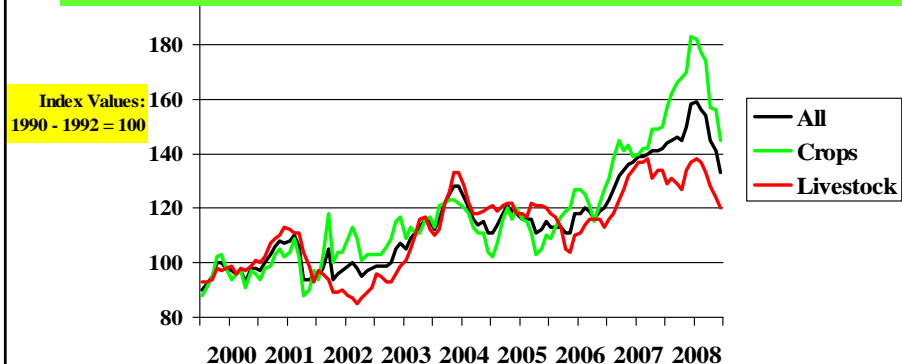


Source: ERS/USDA

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Prices Received by U.S. Farmers

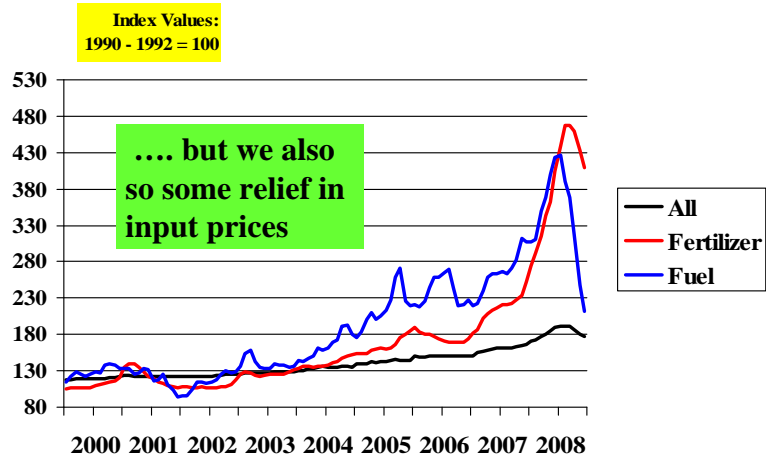
Late last year following large U.S. and world crops, economic downturns around the world and declining energy markets, commodity prices began to decline sharply



Source: NASS/USDA

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Prices Paid by U.S. Farmers



Source: NASS/USDA

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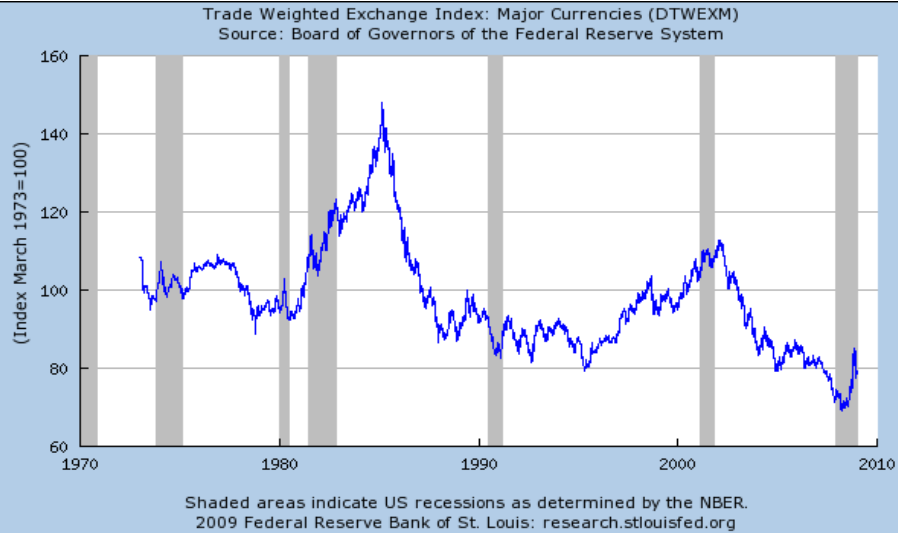
U.S. Ag Exports



Source: ERS/USDA

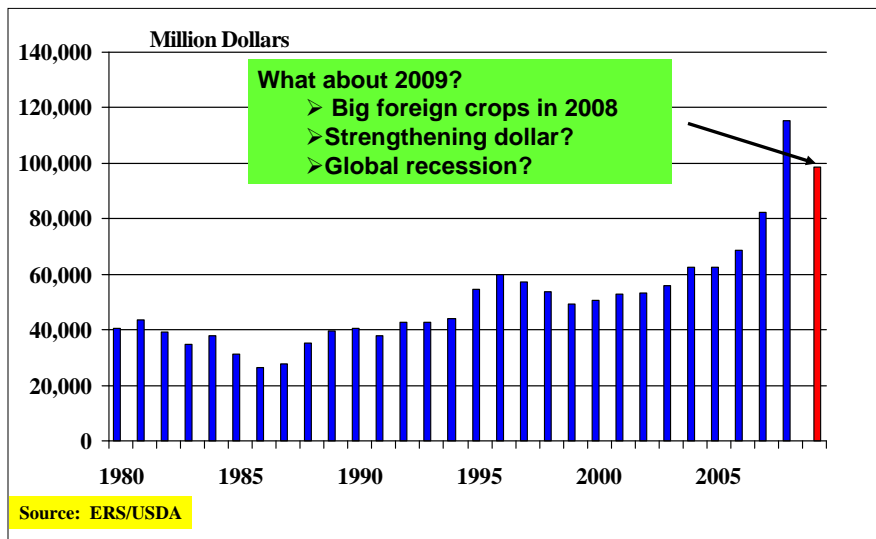
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U.S. Trade-Weighted U.S. Dollar Exchange Rate



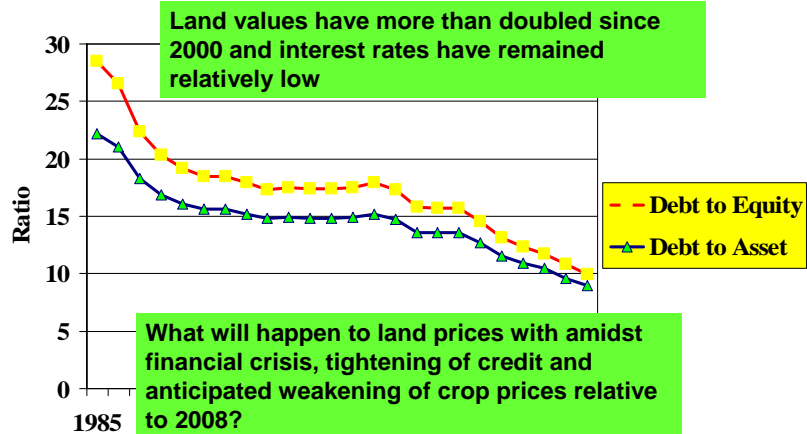
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U.S. Ag Exports



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What about the U.S. Ag Balance Sheet?



Source: ERS/USDA

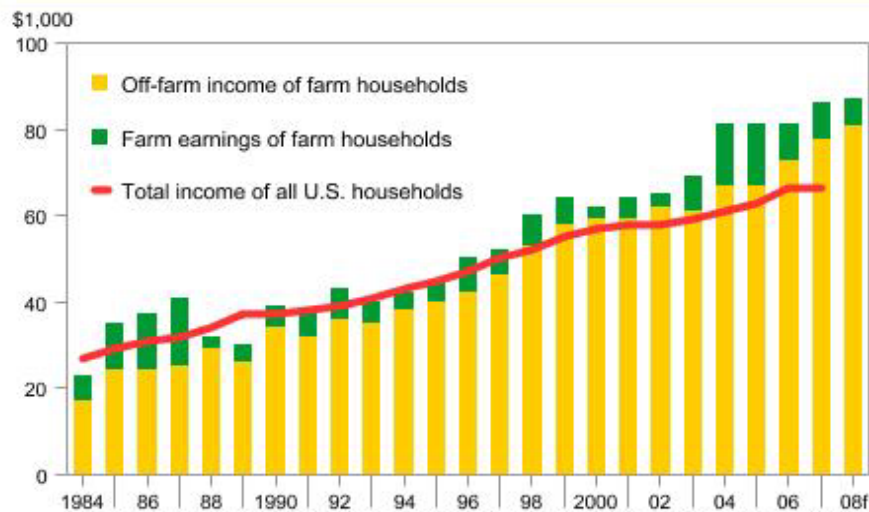
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2009 U.S. Ag Economy Outlook Summary

- Lower Commodity Prices
- Lower Input Costs
- Lower Net Farm Income
- Lower Exports
- Lots of Uncertainty
 - Price volatility?
 - Ethanol?
 - Exchange Rates?
 - Cost and Availability of Credit?
 - Land Values?

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Average farm operator household income, by source, compared with U.S. household income, 1984-2008f



Source: Agricultural Resource Management Survey, Economic Research Service, USDA and the Current Population Survey, U.S. Bureau of the Census



What About KY's Agricultural Economy?



“In Transition”



“Diversifying”



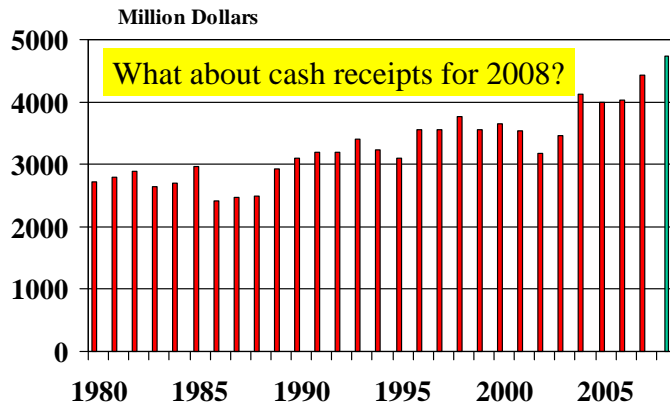
“Structural Change”



“At a Crossroad”



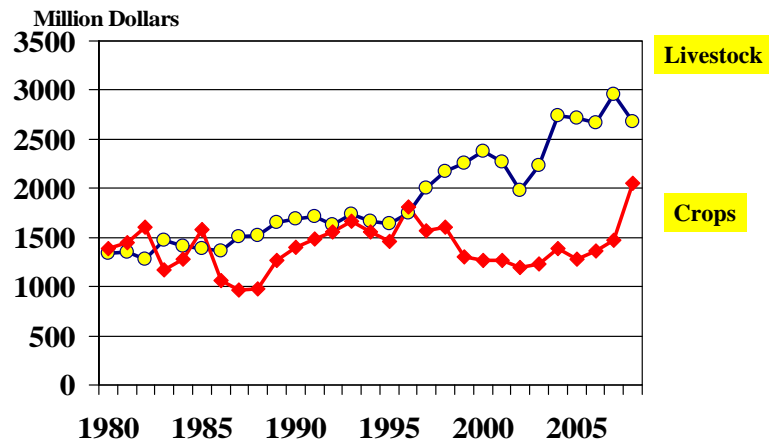
Kentucky Agricultural Cash Receipts



Source: Ky Ag Stats/NASS, 2008-2009 UK Estimates

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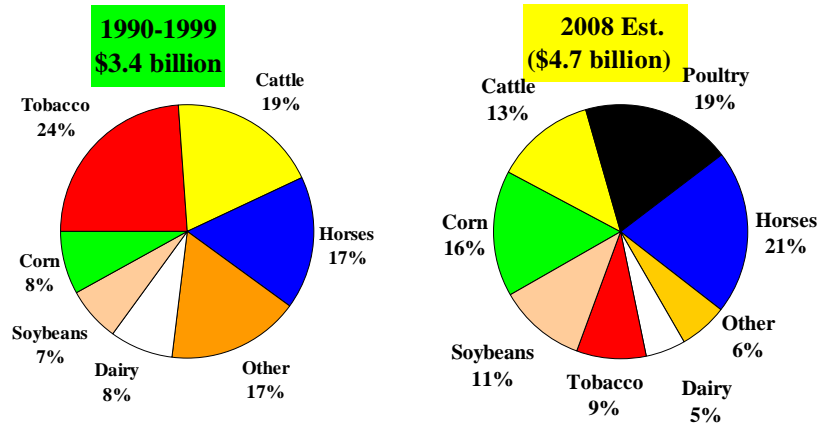
Kentucky Agricultural Cash Receipts



Source: Ky Ag Stats/NASS, 2008 UK Estimates

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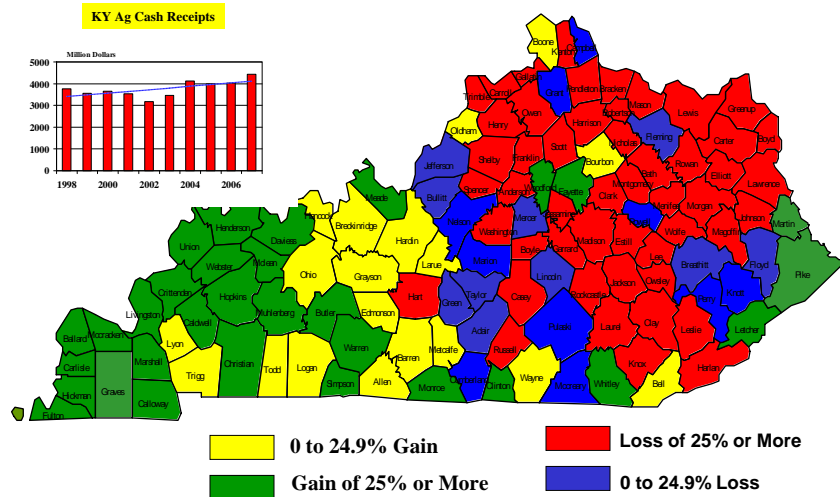
Distribution of KY Agricultural Cash Receipts: 1990s vs. 2008



Source: Ky Ag Stats/NASS

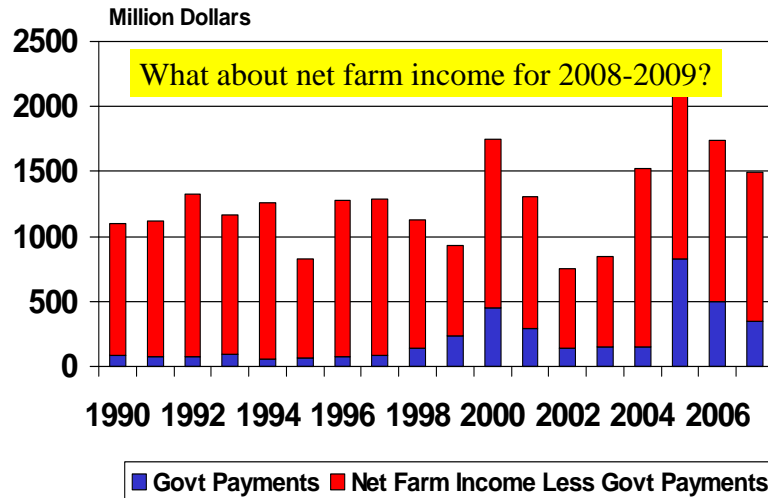
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Percentage Change in Kentucky Agricultural Cash Receipts: 2007 vs 1998



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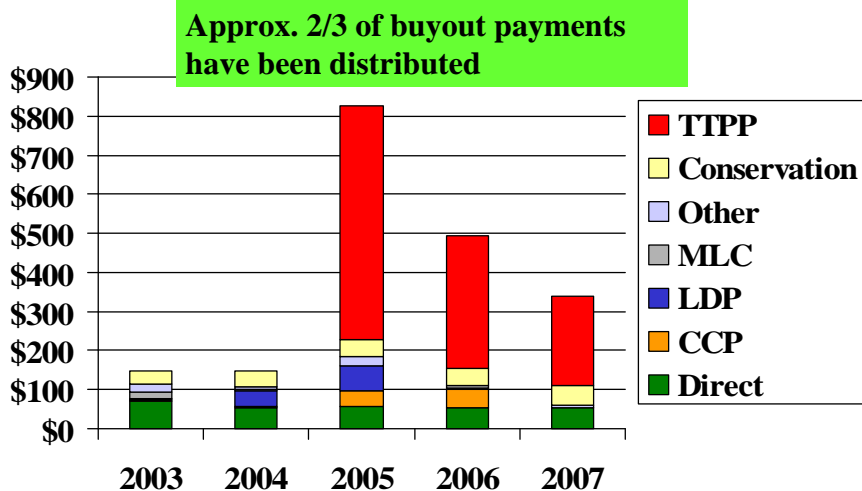
Kentucky Net Farm Income (1990-2007)



Source: ERS/USDA

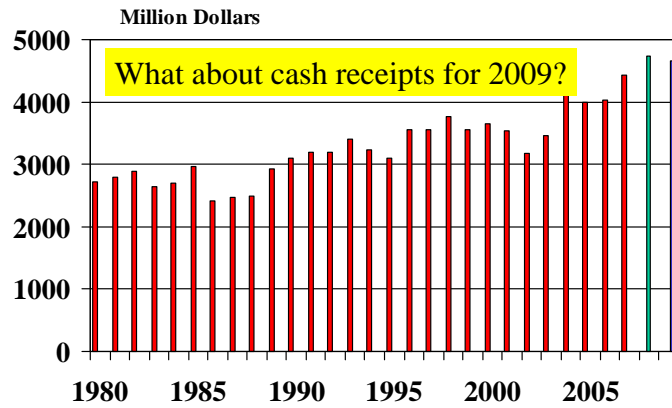
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Kentucky Government Payments (\$ millions --2003-2007)



Source: ERS/USDA

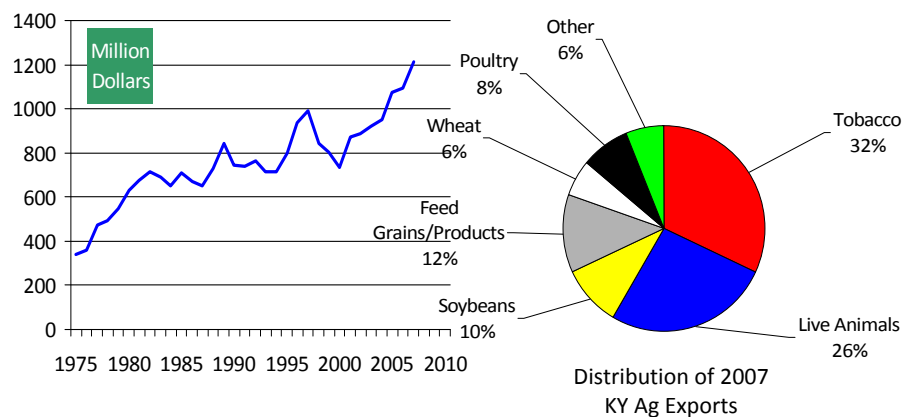
Kentucky Agricultural Cash Receipts



Source: Ky Ag Stats/NASS, 2008-2009 UK Estimates

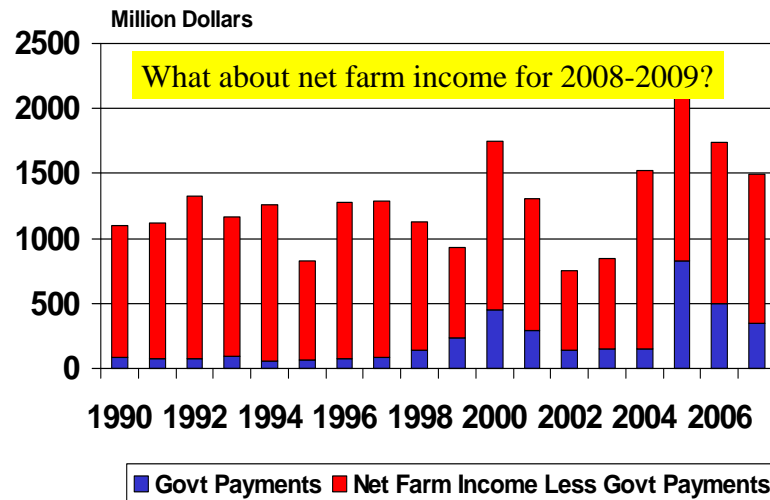
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Kentucky Agricultural Exports – 25% of Total Cash Receipts



Source: ERS/USDA

Kentucky Net Farm Income



Source: ERS/USDA

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2009 KY. Ag Economy Outlook Summary

- Lower Commodity Prices
- Lower Government Payments
- Lower Input Costs
- Lower Exports
- Lower Net Farm Income

... But Ag Economy May Do Better Than Other Parts of the Economy

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